

3/18/2014 Solar Work Group Meeting Minutes

Attendance: See attendee list posted on website:

http://www.michigan.gov/documents/mpsc/2014march18attendees_450878_7.pdf

- Cost of Service Ratemaking

Steve McLean, Manager of Rates and Tariffs Section

Presentation titled Cost of Service Ratemaking:

http://michigan.gov/documents/mpsc/2014marchMPSC_450649_7.pdf

Q. Are fixed costs changeable?

A. As the plant depreciates, if its usage changes due to solar kWh added to the system, depreciation rate may change.

- Renewable Energy Cost Recovery

Jesse Harlow, Renewable Energy Engineer

Presentation titled Renewable Energy Cost Recovery:

http://michigan.gov/documents/mpsc/2014marchMPSC2_450652_7.pdf

Q. Why is the transfer price increasing each year of the transfer price schedule?

A. Staff supports the position that the transfer price should represent the long term cost of conventional energy. The schedule takes into account inflation. The schedule is trying to represent the market price of this energy/capacity. The transfer price schedule would only come into play if a contract price is more than the transfer price. The new wind contracts are less than the transfer price so only the contract price would be recovered.

Q. What is the total cost of generation and purchases for Consumers and DTE?

A. It is about \$65 per MWh.

- Utility Perspective (Todd Lohrmann, DTE & Keith Troyer, Consumers Energy)

Presentation: http://michigan.gov/documents/mpsc/2014DTECONSUMERS_450647_7.pdf

Q. What is the \$15.5 cents/kWh Consumers mentioned on slide 19?

A. It is the incremental cost divided by the expected generation. (\$ recovered in the PSCR are not included in this calculation.)

Q. What if everyone was on net metering? Would the subsidy numbers change?

A. Yes. Incremental costs would decrease.

Comment: EARP has elevated the cost of solar in the utility accounting world. It may not actually be costing the utility that much.

Comment: PA 295 has been a real success at driving down the cost of renewables. Appreciate the good work the utilities have been doing to make these programs work. Some changes to program design can continue driving the costs down and still maintain customer interest. Would like to see changes in

program capacity and program structure. Pay the value these programs bring to the system. Principle of offering a fair and equitable rate. We need to work on what is that rate.

Q. There are a variety of different ways to implement these programs. Would it make a difference if we talked about utility owned program? Would it have an effect on how the utility views the program?

A. It may. We provide service in the most cost effective way. It is more cost effective for the utility to provide solar at a large scale at the best sites. This would impact both community solar and utility owned projects.

Q. What about leasing space on customer rooftops?

A. Have not explored that. Would be concerned about transaction costs and owning something on a customer's roof. We should look at it. Economics of scale might be there. However, labor costs may be a factor for small systems.

Q. Observation, that over time, original wind cost estimates were way overestimated. The same thing may be going on with solar. Lottery system is archaic. Really opening up the system would bring down costs.

A. Certainly true that costs have come down. Systems are producing better than expected also. Consumers Energy's surcharge went to zero because they collected money up front and now have enough to cover renewable expenses. Lottery system is helping company to avoid problems with the first come first served option. Customers would rather be told that they are in or not right away. Lottery winner dropout rate is something to talk about. DTE said that their dropout rate is a little over 50% and they said that if customers drop out, then customers waiting in the queue can be selected instead of having to wait until the next offering.

Q. What if you offer a separate offering for customers that already are installed. At least part of it. These customers would not drop out.

A. There are current net metering customers who are eligible to apply for the programs. Consumers explained that they have had existing systems drop out - sometimes due to complications of adding a second meter.

Q. Please expand on the externalities are tough to quantify comment.

A. Like what happened in MN this last week. Cost of carbon was an issue. A projected CO2 cost is hard to determine. The outer spheres in Karl's methodology are harder to quantify.

Q. Things that are difficult to quantify can be revisited in future years. These can be revisited. People have shown that they are willing to pay a little more.

A. The externalities will be the hardest to quantify. We should create a priority list for value of solar. Energy costs are a larger portion of the total value of solar.

Comment: People who live downwind of the fossil plants are not volunteering to breathe the pollutants.

Comment: Some customers pay more for peak costs because of their neighbor's use of air conditioners.

Q. Is it true that MISO gives no value to solar? Can we work to change that?

A. MISO does provide capacity for systems. You have to prove that capacity is real. We are in an oversupplied MISO zone. It would cost more to put the metering equipment on the solar project than the value of the solar capacity. CE takes no credit for the EARP solar. DTE does get capacity credit. No credit for customer owned projects. For utility owned they are getting 30% based on the nameplate.

Q. Are CE and DTE willing to propose a program that goes beyond the pilot programs?

A. DTE – is interested in a fairly implemented voluntary program. Will be participating in the collaborative process. CE – interested in learning more. Value of this group is that the knowledge of what is happening in other markets. There could be programs that are out there that may be a better option. This could lead to something.

Comment: Our goal is to put together the best package that works that will convince others to support.

Q. What is meant by voluntary? Are EARP and SolarCurrents voluntary?

A. No. Costs are spread across all customers.